

SEWARD COUNTY, KANSAS

AUDIT REPORT

For the year ended December 31, 2011

SEWARD COUNTY, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2011

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SEWARD COUNTY, KANSAS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Seward County Commissioners
Liberal, Kansas 67901

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Seward County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Southwest Medical Center (a discretely presented component unit), which represents 100% of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southwest Medical Center (a discretely presented component unit), is based on the report of the other auditors.

We conducted our audit in accordance with the *Kansas Municipal Audit Guide*, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012 on our consideration of Seward County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control

over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Seward County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hay•Rice & Associates, Chartered

September 20, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Seward County Commissioners
Liberal, Kansas 67901

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of and for the year ended December 31, 2011, which collectively comprise Seward County's basic financial statements and have issued our report thereon dated September 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Seward County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seward County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Seward County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

2011-1. Financial Statement Preparation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

2011-2. Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seward County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

We noted certain other matters that we reported to management of Seward County, Kansas in a separate letter dated September 20, 2012.

Seward County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Seward County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Seward County Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

September 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Seward County, we offer readers of Seward County's financial statements this overview and analysis of the financial activities of Seward County for the fiscal year ended December 31, 2011. Please read this report in conjunction with the County's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The assets of Seward County exceeded its liabilities at the close of 2011 by \$26,483,990 (net assets). Of this amount, \$7,215,950 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Seward County's basic financial statements. These financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Seward County's finances, in a manner similar to private-sector business, and can be found on pages 1 – 5 of this report.

The statement of net assets presents information on all of Seward County's assets (what the citizens own) and liabilities (what the citizens owe), with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Seward County is improving or deteriorating. Other nonfinancial factors should also be considered, such as changes in the County's property tax base, and the condition of the County's capital assets (highways, roads, bridges and buildings) to assess the overall health of the County.

The statement of activities presents information showing how Seward County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Seward County that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Seward County include general government, public safety, natural resources, educational, health and sanitation, social services, culture and recreation, transportation and debt service. The business-type activity of Seward County is the landfill.

The government-wide financial statements include not only Seward County itself but also a legally separate hospital, combined under one column heading of “Component Units.” This entity has a Board appointed by the Seward County Commission. The Commission must also approve bond issuances by the entity. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements may be obtained at the Administrative Office for the Southwest Medical Center at 315 W. 15th in Liberal, Kansas.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Seward County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Seward County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Our analysis of the County’s major funds begins on page 6. Kansas State law requires certain funds at a minimum. The Seward County Commission has established other funds to help it control and manage money for particular purposes (Ex. Planning & Zoning Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (Ex. County Sales Tax Funds). The County’s two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps to determine the amount of financial resources that are currently available in the near future to finance the County’s programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This presentation should allow the readers to better understand the long-term impact of the government’s current financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the governmental activities reporting.

Seward County maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered its major fund. Data from the other 14 governmental funds are combined into a single, aggregate presentation.

Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report on pages 59 – 62.

The basic governmental fund financial statements can be found on pages 6 – 11 of this report.

Proprietary Funds

Proprietary funds provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. Seward County uses an enterprise fund to account for charging customers for the full cost of the services it provides at the landfill, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 12 – 14 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because those funds resources are not available to support Seward County's programs. The accounting for the fiduciary funds is similar to that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on page 15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 16 – 52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Seward County's compliance with its annually appropriated budget for the general fund. This required supplementary information can be found on pages 53 – 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. The combined and the individual fund statements and schedules can be found on pages 58 – 71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously referenced in this analysis, the net assets may serve as an indicator of the government's financial position. In Seward County, assets exceeded liabilities by \$26,483,990 at the close of 2011.

The largest portion of Seward County's net assets, or 64%, reflects its investment in capital assets such as land, highways, roads, bridges, buildings, machinery, and equipment, less any debt used to acquire these assets that is still outstanding. Seward County uses these capital assets to provide

services to citizens. It is important to note that these assets are not available for future spending. Although Seward County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets alone cannot be used to liquidate these liabilities.

Seward County's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$16,778,468	\$18,219,330	\$ 3,047,929	\$ 3,721,378	\$19,826,397	\$21,940,708
Capital assets	<u>17,745,310</u>	<u>16,625,409</u>	<u>3,384,089</u>	<u>3,442,362</u>	<u>21,129,399</u>	<u>20,067,771</u>
Total Assets	<u>\$34,523,778</u>	<u>\$34,844,739</u>	<u>\$ 6,432,018</u>	<u>\$ 7,163,740</u>	<u>\$40,955,796</u>	<u>\$42,008,479</u>
Long-term liabilities	\$ 577,806	\$ 560,694	\$ 2,805,738	\$ 2,786,127	\$ 3,383,544	\$ 3,346,821
Other liabilities	<u>10,911,389</u>	<u>11,697,615</u>	<u>393,885</u>	<u>480,053</u>	<u>11,305,274</u>	<u>12,177,668</u>
Total Liabilities	<u>\$11,489,195</u>	<u>\$12,258,309</u>	<u>\$ 3,199,623</u>	<u>\$ 3,266,180</u>	<u>\$14,688,818</u>	<u>\$15,524,489</u>
Net Assets:						
Invested in capital assets, net of related debt	\$17,745,310	\$16,625,409	\$ 285,606	\$ 353,333	\$18,030,916	\$16,978,742
Restricted	476,484	494,170	1,662,844	1,795,128	2,139,328	2,289,298
Unrestricted	<u>4,812,789</u>	<u>5,466,851</u>	<u>1,283,945</u>	<u>1,749,099</u>	<u>6,096,734</u>	<u>7,215,950</u>
Total Net Assets	<u>\$23,034,583</u>	<u>\$22,586,430</u>	<u>\$ 3,232,395</u>	<u>\$ 3,897,560</u>	<u>\$26,266,978</u>	<u>\$26,483,990</u>

Governmental activities decreased Seward County's net assets by \$448,153 and business-type activities increased Seward County's net assets by \$665,165 as a result of the key elements, as follows:

Seward County's Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
<u>Revenues</u>						
Program Revenues:						
Charges for services	\$ 1,463,090	\$ 1,278,868	\$ 2,793,528	\$ 4,223,626	\$ 4,256,618	\$ 5,502,494
Operating grants and contributions	650,004	569,056	-	-	650,004	569,056
General Revenues:						
Property taxes	9,191,572	9,630,004	-	-	9,191,572	9,630,004
Other taxes	3,789,042	4,102,001	-	-	3,789,042	4,102,001
Other	<u>447,422</u>	<u>374,464</u>	<u>50,265</u>	<u>23,036</u>	<u>497,687</u>	<u>397,500</u>
Total Revenues	<u>\$15,541,130</u>	<u>\$15,954,393</u>	<u>\$ 2,843,793</u>	<u>\$ 4,246,662</u>	<u>\$18,384,923</u>	<u>\$20,201,055</u>
<u>Expenses</u>						
General Government	\$ 6,713,036	\$ 6,624,650	\$ -	\$ -	\$ 6,713,036	\$ 6,624,650
Public Safety	3,975,587	3,859,771	-	-	3,975,587	3,859,771
Transportation	2,652,069	2,679,386	-	-	2,652,069	2,679,386
Natural Resources	340,761	320,902	-	-	340,761	320,902
Health and Sanitation	1,913,294	1,937,541	-	-	1,913,294	1,937,541
Social Services	411,426	340,506	-	-	411,426	340,506
Culture and Recreation	716,382	639,790	-	-	716,382	639,790
Landfill	-	-	2,671,252	3,552,308	2,671,252	3,552,308
Interest expense	<u>1,535</u>	<u>-</u>	<u>35,588</u>	<u>29,189</u>	<u>37,123</u>	<u>29,189</u>
Total Expenses	<u>\$16,724,090</u>	<u>\$16,402,546</u>	<u>\$ 2,706,840</u>	<u>\$ 3,581,497</u>	<u>\$19,430,930</u>	<u>\$19,984,043</u>

Increase (Decrease)						
in Net Assets	\$ (1,182,960)	\$ (448,153)	\$ 136,953	\$ 665,165	\$ (1,046,007)	\$ 217,012
Net Assets, January 1	24,217,543	23,034,583	3,095,442	3,232,395	27,312,985	26,266,978
Prior period adjustment	-	-	-	-	-	-
Net Assets, December 31	<u>\$23,034,583</u>	<u>\$22,586,430</u>	<u>\$ 3,232,395</u>	<u>\$ 3,897,560</u>	<u>\$26,266,978</u>	<u>\$26,483,990</u>

The Statement of Activities format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance, as expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This format highlights the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Seward County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Seward County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Seward County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

As of the end of the current fiscal year, Seward County's governmental funds reported combined ending fund balances of \$6,521,715, or increase of \$653,331 from the preceding year.

Approximately \$6,021,545 is available for spending at the government's discretion.

Proprietary Funds

Seward County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the proprietary fund were \$1,749,099.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2011, the County Commission did not amend the general fund budget. The general fund revenue was under the total budgeted amount by \$22,361 and the general fund expenditures were under the budgeted amount by \$1,151,917, which gives an overall favorable amount of \$1,129,556.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year ended December 31, 2011, the County had \$90,998,882 invested in capital assets including equipment, buildings, roads and landfill. (See Table below.)

	Seward County's Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 585,193	\$ 591,693	\$ 91,844	\$ 91,844	\$ 677,037	\$ 683,537
Buildings	15,099,348	15,231,562	631,742	631,742	15,731,090	15,863,304
Improvements	-	-	3,648,792	3,648,792	3,648,792	3,648,792
Equipment	14,397,376	14,722,684	6,466,071	7,253,757	20,863,447	21,976,441
Highways and roads	48,826,808	48,826,808	-	-	48,826,808	48,826,808
Subtotal - Undepreciated cost	\$ 78,908,725	\$ 79,372,747	\$ 10,838,449	\$ 11,626,135	\$ 89,747,174	\$ 90,998,882
Accumulated depreciation and amortization	(61,163,415)	(62,747,338)	(7,454,360)	(8,183,773)	(68,617,775)	(70,931,111)
Total	\$ 17,745,310	\$ 16,625,409	\$ 3,384,089	\$ 3,442,362	\$ 21,129,399	\$ 20,067,771

Additional information on Seward County's capital assets can be found in Note 2C on pages 38 – 42 of this report.

Long-Term Debt

At the end of 2011, Seward County had contracts and capital lease payable of \$2,684,302. Additional long-term debt information can be found in Note 2C on pages 43 – 49 of this report.

	Seward County's Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Contracts	-	-	\$2,376,839	\$2,054,124	\$2,376,839	\$2,054,124
Capital leases & temporary notes	-	-	613,214	630,178	613,214	630,178
Total	-	-	\$2,990,053	\$2,684,302	\$2,990,053	\$2,684,302

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Seward County raised its 2012 budgeted mill levy for 2011 property taxes by 1.121 mills and increased property taxes by \$761,782.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the County Administrator's office, Seward County, 515 North Washington, Liberal, Kansas 67901.

SEWARD COUNTY, KANSAS

BASIC FINANCIAL STATEMENTS

December 31, 2011

SEWARD COUNTY, KANSAS

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash, including time deposits	\$ 6,608,895	\$ 1,286,007	\$ 7,894,902	\$ 1,707,283
Taxes receivable	11,116,265	-	11,116,265	-
Accounts receivable (net)	458,910	640,243	1,099,153	5,819,462
Inventory	16,671	-	16,671	1,322,661
Assets limited as to use	-	-	-	1,631,649
Estimated third-party settlements	-	-	-	10,445
Other receivables	-	-	-	70,734
Prepaid expenses	-	-	-	1,280,934
Total current assets	\$ <u>18,200,741</u>	\$ <u>1,926,250</u>	\$ <u>20,126,991</u>	\$ <u>11,843,168</u>
Noncurrent Assets				
Restricted Assets:				
Cash, including time deposits	\$ 18,589	\$ 1,795,128	\$ 1,813,717	\$ -
Notes receivable	-	-	-	-
Internally designated	-	-	-	11,227,461
Under indenture agreements-held by trustee	-	-	-	6,424,446
By contributors and grantors for capital acquisitions	-	-	-	386,874
Less – Amounts required to meet current obligations	-	-	-	(1,631,649)
Total restricted assets	\$ <u>18,589</u>	\$ <u>1,795,128</u>	\$ <u>1,813,717</u>	\$ <u>16,407,132</u>
Other Assets:				
Deferred financing costs, less accumulated amortization of \$29,516	-	-	-	\$ <u>324,106</u>
Capital Assets:				
Land	\$ 591,693	\$ 91,844	\$ 683,537	\$ 43,012
Buildings	15,231,562	631,742	15,863,304	24,167,288
Improvements other than buildings	-	3,648,792	3,648,792	903,176
Machinery, equipment, furniture and fixtures	14,722,684	7,253,757	21,976,441	30,704,761
Highways	48,826,808	-	48,826,808	-
Construction in progress	-	-	-	17,840,712
Less – Accumulated depreciation	(62,747,338)	(5,253,972)	(68,001,310)	(46,578,206)
Accumulated amortization	-	(2,929,801)	(2,929,801)	-
Total noncurrent assets	\$ <u>16,625,409</u>	\$ <u>3,442,362</u>	\$ <u>20,067,771</u>	\$ <u>27,080,743</u>
Total Assets	\$ <u>34,844,739</u>	\$ <u>7,163,740</u>	\$ <u>42,008,479</u>	\$ <u>55,655,149</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 1

STATEMENT OF NET ASSETS

December 31, 2011

	<u>Primary Government</u>			<u>Component</u>
	<u>Governmental</u>	<u>Business-Type</u>		<u>Units</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	
LIABILITIES				
<u>Current Liabilities</u>				
Accounts payable	\$ 354,932	\$ 177,151	\$ 532,083	\$ 1,108,094
Construction costs payable	-	-	-	1,215,538
Accrued interest payable	-	-	-	304,062
Other accrued liabilities	-	-	-	66,574
Accrued wages and benefits	226,418	-	226,418	822,207
Accrued compensated absences	-	-	-	675,367
Estimated third-party payor settlements	-	-	-	521,353
Capital lease obligations – Current	-	302,902	302,902	-
Current maturities of long-term debt	-	-	-	175,000
Deferred revenue	<u>11,116,265</u>	<u>-</u>	<u>11,116,265</u>	<u>-</u>
Total current liabilities	<u>\$11,697,615</u>	<u>\$ 480,053</u>	<u>\$12,177,668</u>	<u>\$ 4,888,195</u>
<u>Noncurrent Liabilities</u>				
Contracts payable	\$ -	\$2,054,124	\$ 2,054,124	\$ -
Accrued compensated absences	560,694	101,825	662,519	-
Long-term debt	-	-	-	16,910,941
Lease payable	<u>-</u>	<u>630,178</u>	<u>630,178</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 560,694</u>	<u>\$2,786,127</u>	<u>\$ 3,346,821</u>	<u>\$16,910,941</u>
Total Liabilities	<u>\$12,258,309</u>	<u>\$3,266,180</u>	<u>\$15,524,489</u>	<u>\$21,799,136</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$16,625,409	\$ 353,333	\$16,978,742	\$13,118,890
Restricted for:				
Debt service	-	-	-	1,520,967
Expendable for Capital acquisitions	-	-	-	1,274,834
Other purposes	494,170	1,795,128	2,289,298	-
Unrestricted	<u>5,466,851</u>	<u>1,749,099</u>	<u>7,215,950</u>	<u>17,941,322</u>
Total Net Assets	<u>\$22,586,430</u>	<u>\$3,897,560</u>	<u>\$26,483,990</u>	<u>\$33,856,013</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 2

STATEMENT OF ACTIVITIES
For the year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government:								
County Administration	\$ 84,079	\$ -	-	-	\$ (84,079)	-	\$ (84,079)	-
County Commissioners	89,061	-	-	-	(89,061)	-	(89,061)	-
County Counselor	95,600	-	-	-	(95,600)	-	(95,600)	-
County Clerk	154,207	134	-	-	(154,073)	-	(154,073)	-
County Treasurer	187,924	242,502	-	-	54,578	-	54,578	-
County Attorney	730,067	-	-	-	(730,067)	-	(730,067)	-
Planning Board	79,502	11,126	-	-	(68,376)	-	(68,376)	-
Register of Deeds	138,421	144,993	-	-	6,572	-	6,572	-
Clerk of District Court	370,267	-	-	-	(370,267)	-	(370,267)	-
Courthouse General	1,243,315	-	-	-	(1,243,315)	-	(1,243,315)	-
Election	61,438	-	-	-	(61,438)	-	(61,438)	-
Employees' Benefits	2,577,244	-	-	-	(2,577,244)	-	(2,577,244)	-
County Appraiser	256,359	-	-	-	(256,359)	-	(256,359)	-
Human Resources	108,411	-	-	-	(108,411)	-	(108,411)	-
Information Technology	275,399	-	-	-	(275,399)	-	(275,399)	-
GIS	57,023	-	-	-	(57,023)	-	(57,023)	-
Reserve for claims	104,955	-	-	-	(104,955)	-	(104,955)	-
Total general government	\$ 6,613,272	\$ 398,755	-	-	\$ (6,214,517)	-	\$ (6,214,517)	-
Public Safety:								
Sheriff	\$ 1,147,928	\$ 58,391	\$ 49,233	-	\$ (1,040,304)	-	\$ (1,040,304)	-
Civil Defense	27,641	40,078	62,686	-	75,123	-	75,123	-
Emergency Preparedness	422,114	-	-	-	(422,114)	-	(422,114)	-
Jail	1,404,127	95,410	-	-	(1,308,717)	-	(1,308,717)	-
Joint Communications	206,322	87,369	70,000	-	(48,953)	-	(48,953)	-
Rural Fire	380,918	-	-	-	(380,918)	-	(380,918)	-
Juvenile Detention	270,721	-	-	-	(270,721)	-	(270,721)	-
Total public safety	\$ 3,859,771	\$ 281,248	\$181,919	-	\$ (3,396,604)	-	\$ (3,396,604)	-
Natural Resources:								
Soil Conservation	\$ 41,704	\$ -	-	-	\$ (41,704)	-	\$ (41,704)	-
County Extension	125,700	-	-	-	(125,700)	-	(125,700)	-
Noxious Weed	153,498	44,432	-	-	(109,066)	-	(109,066)	-
Total natural resources	\$ 320,902	\$ 44,432	-	-	\$ (276,470)	-	\$ (276,470)	-

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 2
(Continued)STATEMENT OF ACTIVITIES
For the year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government (Continued):								
Governmental Activities (Continued):								
Health and Sanitation:								
Coroner	\$ 33,219	\$ -	\$ -	-	\$ (33,219)	-	\$ (33,219)	-
Emergency Medical Service	569,391	318,102	-	-	(251,289)	-	(251,289)	-
Health	1,057,857	221,129	387,137	-	(449,591)	-	(449,591)	-
Mental Health	92,546	-	-	-	(92,546)	-	(92,546)	-
Developmental Disabled	141,950	-	-	-	(141,950)	-	(141,950)	-
Cemetery	42,578	15,202	-	-	(27,376)	-	(27,376)	-
Total health and sanitation	\$ 1,937,541	\$ 554,433	\$387,137	-	\$ (995,971)	-	\$ (995,971)	-
Social Services:								
Adolescent support	\$ 270,985	-	-	-	\$ (270,985)	-	\$ (270,985)	-
SKADAF	52,700	-	-	-	(52,700)	-	(52,700)	-
Veterans	16,821	-	-	-	(16,821)	-	(16,821)	-
Total social services	\$ 340,506	-	-	-	\$ (340,506)	-	\$ (340,506)	-
Culture and Recreation:								
Historical Museum	\$ 68,000	-	-	-	\$ (68,000)	-	\$ (68,000)	-
Council on Aging	269,743	-	-	-	(269,743)	-	(269,743)	-
Fair	47,285	-	-	-	(47,285)	-	(47,285)	-
Special Parks and Recreation	3,000	-	-	-	(3,000)	-	(3,000)	-
Activity Center	251,762	-	-	-	(251,762)	-	(251,762)	-
Total culture and recreation	\$ 639,790	-	-	-	\$ (639,790)	-	\$ (639,790)	-
Transportation:								
Maintenance	\$ 2,679,386	-	-	-	\$ (2,679,386)	-	\$ (2,679,386)	-
Other:								
Employee Committee	\$ 11,378	-	-	-	\$ (11,378)	-	\$ (11,378)	-
Total governmental activities	\$16,402,546	\$1,278,868	\$569,056	-	\$ (14,554,622)	\$ -	\$ (14,554,622)	-
Business-Type Activities:								
Landfill	3,581,497	4,223,626	-	-	-	642,129	642,129	-
Total Primary Government	\$19,984,043	\$5,502,494	\$569,056	-	\$ (14,554,622)	\$ 642,129	\$ (13,912,493)	-

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 2
(Continued)STATEMENT OF ACTIVITIES
For the year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Component Units:								
Southwest Medical Center	\$39,534,670	\$39,970,083	\$ 30,715	\$255,000	-	-	-	\$ 721,128
General Revenues:								
Ad valorem property tax					\$ 9,326,559	\$ -	\$ 9,326,559	\$ -
Back tax collections					150,461	-	150,461	-
Interest on delinquent taxes					134,359	-	134,359	-
Payment in lieu of taxes					18,625	-	18,625	-
Motor vehicle tax					530,681	-	530,681	-
Private club liquor tax					12,390	-	12,390	-
Local sales tax					2,035,027	-	2,035,027	-
Gasoline tax					657,145	-	657,145	-
Health initiatives sales tax					740,778	-	740,778	-
Proration					1,515	-	1,515	-
Severance tax					125,980	-	125,980	-
Diversion fees					55,037	-	55,037	-
Royalty and lease income					131,638	-	131,638	-
Miscellaneous					60,046	21,349	81,395	-
Interest					126,228	1,687	127,915	-
Total general revenues and transfers					\$14,106,469	\$ 23,036	\$14,129,505	-
Change in Net Assets					\$ (448,153)	\$ 665,165	\$ 217,012	\$ 721,128
Net Assets, Beginning					23,034,583	3,232,395	26,266,978	33,134,885
Net Assets, Ending					\$22,586,430	\$3,897,560	\$26,483,990	\$33,856,013

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 3

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash, including time deposits	\$ 1,886,799	\$4,722,096	\$ 6,608,895
Cash, restricted	18,589	-	18,589
Accounts receivable	337,193	121,717	458,910
Taxes receivable	9,381,759	1,734,506	11,116,265
Inventory	<u>16,671</u>	<u>-</u>	<u>16,671</u>
Total Assets	<u>\$11,641,011</u>	<u>\$6,578,319</u>	<u>\$18,219,330</u>
LIABILITIES AND FUND BALANCES			
<u>Liabilities</u>			
Accounts payable	\$ 241,525	\$ 113,407	\$ 354,932
Accrued wages and benefits	174,122	52,296	226,418
Deferred revenue	<u>9,381,759</u>	<u>1,734,506</u>	<u>11,116,265</u>
Total liabilities	<u>\$ 9,797,406</u>	<u>\$1,900,209</u>	<u>\$11,697,615</u>
<u>Fund Balances</u>			
Nonspendable:			
Inventory	\$ 16,671	\$ -	\$ 16,671
Accounts receivable	337,193	121,717	458,910
Restricted for restricted cash	18,589	-	18,589
Assigned	6,000	4,556,393	4,562,393
Unassigned	<u>1,465,152</u>	<u>-</u>	<u>1,465,152</u>
Total fund balances	<u>\$ 1,843,605</u>	<u>\$4,678,110</u>	<u>\$ 6,521,715</u>
Total Liabilities and Fund Balances	<u>\$11,641,011</u>	<u>\$6,578,319</u>	<u>\$18,219,330</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 3
(Continued)

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2011

Total Governmental Fund Balances	\$ 6,521,715
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Net of accumulated depreciation of \$62,747,338	16,625,409
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	<u>(560,694)</u>
Net Assets of Governmental Activities	<u>\$22,586,430</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2011

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Revenues</u>			
Taxes	\$ 8,557,182	\$2,406,562	\$10,963,744
Intergovernmental	2,527,369	880,174	3,407,543
Licenses and permits	497,223	-	497,223
Charges for services	473,146	308,498	781,644
Interest income	126,228	-	126,228
Royalty and lease income	109,588	22,050	131,638
Miscellaneous	<u>46,373</u>	<u>-</u>	<u>46,373</u>
Total revenues	<u>\$12,337,109</u>	<u>\$3,617,284</u>	<u>\$15,954,393</u>
<u>Expenditures</u>			
Current Operations:			
General Government:			
County Administration	\$ 87,545	\$ -	\$ 87,545
County Commissioners	84,728	-	84,728
County Counselor	95,600	-	95,600
County Clerk	124,931	-	124,931
County Treasurer	185,739	-	185,739
County Attorney	668,850	74,781	743,631
Planning Board	73,230	-	73,230
Register of Deeds	131,819	-	131,819
Clerk of District Court	368,007	-	368,007
Employees' Benefits	2,577,244	-	2,577,244
Courthouse General	952,872	316,049	1,268,921
Information Technology	278,381	-	278,381
GIS	54,284	-	54,284
Election	61,438	-	61,438
County Appraiser	253,209	-	253,209
Human Resources	100,204	-	100,204
Reserve for claims	<u>104,955</u>	<u>-</u>	<u>104,955</u>
Total general government	<u>\$ 6,203,036</u>	<u>\$ 390,830</u>	<u>\$ 6,593,866</u>
Public Safety:			
Sheriff	\$ 1,230,992	\$ -	\$ 1,230,992
Civil Defense	20,976	-	20,976

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 4
(Continued)STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2011

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Expenditures</u> (Continued)			
Current Operations (Continued):			
Public Safety (Continued):			
Emergency Preparedness	96,311	326,023	422,334
Jail	1,239,753	-	1,239,753
Joint communications	260,118	-	260,118
Juvenile Detention	270,721	-	270,721
Rural Fire	-	324,653	324,653
Total public safety	\$ 3,118,871	\$ 650,676	\$ 3,769,547
Natural Resources:			
Soil Conservation	\$ 41,704	-	\$ 41,704
County Extension	125,700	-	125,700
Noxious Weed	157,598	-	157,598
Total natural resources	\$ 325,002	-	\$ 325,002
Health and Sanitation:			
Coroner	\$ 33,219	\$ -	\$ 33,219
Mental Health	71,703	-	71,703
Developmental Disabled	141,950	-	141,950
Cemetery	40,507	-	40,507
Emergency Medical Service	595,267	-	595,267
Health	-	981,815	981,815
Total health and sanitation	\$ 882,646	\$ 981,815	\$ 1,864,461
Social Services:			
Adolescent support	\$ 270,985	-	\$ 270,985
SKADAF	52,700	-	52,700
Veterans	16,821	-	16,821
Total social services	\$ 340,506	-	\$ 340,506
Culture and Recreation:			
Historical Museum	\$ 68,000	\$ -	\$ 68,000
Activity Center	194,107	-	194,107
Fair	42,500	-	42,500
Council on Aging	269,743	-	269,743
Special Parks and Recreation	-	3,000	3,000
Total culture and recreation	\$ 574,350	\$ 3,000	\$ 577,350

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the year ended December 31, 2011

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Expenditures</u> (Continued)			
Current Operations (Cont.):			
Transportation:			
Maintenance	<u>-</u>	<u>\$1,835,331</u>	<u>\$ 1,835,331</u>
Other:			
Employee Committee	<u>\$ 11,378</u>	<u>-</u>	<u>\$ 11,378</u>
Total expenditures	<u>\$11,455,789</u>	<u>\$3,861,652</u>	<u>\$15,317,441</u>
Excess (deficiency) of revenues over expenditures	\$ 881,320	\$ (244,368)	\$ 636,952
Fund Balances, Beginning	905,490	4,962,894	5,868,384
Other Changes:			
Increase or (decrease) in reserves	<u>56,795</u>	<u>(40,416)</u>	<u>16,379</u>
Fund Balances, Ending	<u>\$ 1,843,605</u>	<u>\$4,678,110</u>	<u>\$ 6,521,715</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 4
(Continued)RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

Net Change in Fund Balances – Total Governmental Funds	\$ 636,952
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense:

Capital asset purchases capitalized	792,249
Capital asset disposals, net of accumulated depreciation	(11,110)
Depreciation expense	(1,901,042)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the fund:

Current taxes receivable	11,116,265
Prior taxes receivable	(10,225,255)
Current accounts receivable	458,910
Prior accounts receivable	(442,446)
Current restricted assets	18,589
Prior restricted assets	(21,384)
Current deferred revenue	(11,116,265)
Prior deferred revenue	10,225,255

Some expenses reported in the statement of activities do not require the use
of current financial resources, and, therefore, are not reported as expenditures
in governmental funds:

Current compensated absences	(560,694)
Prior compensated absences	577,806

Some assets, such as prepaid insurance and inventory, are reported as reserves
to fund balances in the governmental funds statement so these amounts are
included in the expense accounts on the governmental funds:

Current inventory	16,671
Prior inventory	<u>(12,654)</u>

Change in Net Assets on Governmental Activities	\$ <u>(448,153)</u>
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The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 5

STATEMENTS OF NET ASSETS – PROPRIETARY FUNDS

December 31, 2011 and 2010

	<u>Business-Type Activities</u>	
	<u>Landfill</u>	
	<u>Current</u>	<u>Prior</u>
ASSETS		
<u>Current Assets</u>		
Cash, including time deposits	\$ 1,286,007	\$ 1,056,226
Accounts receivable (net)	<u>640,243</u>	<u>328,859</u>
Total current assets	\$ <u>1,926,250</u>	\$ <u>1,385,085</u>
<u>Noncurrent Assets</u>		
Restricted Assets:		
Cash, including time deposits	\$ 1,795,128	\$ 1,645,534
Note receivable – National Beef	-	17,310
Capital Assets:		
Land	91,844	91,844
Buildings	631,742	631,742
Landfill pit	3,648,792	3,648,792
Machinery, equipment, furniture and fixtures	7,253,757	6,466,071
<u>Less – Accumulated depreciation</u>	<u>(5,253,972)</u>	<u>(4,555,060)</u>
Accumulated amortization	<u>(2,929,801)</u>	<u>(2,899,300)</u>
Total noncurrent assets	\$ <u>5,237,490</u>	\$ <u>5,046,933</u>
Total Assets	\$ <u>7,163,740</u>	\$ <u>6,432,018</u>
LIABILITIES		
<u>Current Liabilities</u>		
Payable from Current Assets:		
Accounts payable	\$ 177,151	\$ 101,140
Current portion of long-term debt	<u>302,902</u>	<u>292,745</u>
Total current liabilities	\$ <u>480,053</u>	\$ <u>393,885</u>
<u>Noncurrent Liabilities</u>		
Lease payable	\$ 933,080	\$ 613,214
Accrued compensated absences	101,825	108,430
Landfill closure payable	2,054,124	2,376,839
<u>Less – Current portion</u>	<u>(302,902)</u>	<u>(292,745)</u>
Total noncurrent liabilities	\$ <u>2,786,127</u>	\$ <u>2,805,738</u>
Total Liabilities	\$ <u>3,266,180</u>	\$ <u>3,199,623</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 353,333	\$ 285,606
Restricted for:		
Other purposes	1,795,128	1,662,844
Unrestricted	<u>1,749,099</u>	<u>1,283,945</u>
Total Net Assets	\$ <u>3,897,560</u>	\$ <u>3,232,395</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 6

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUNDS

For the years ended December 31, 2011 and 2010

	<u>Business-Type Activities</u>	
	<u>Landfill</u>	
	<u>Current</u>	<u>Prior</u>
<u>Operating Revenues</u>		
Charges for services	\$4,223,626	\$2,793,528
<u>Operating Expenses</u>		
Cost of Services:		
Salaries and wages	\$ 835,810	\$ 620,557
Fringe benefits	339,190	243,048
Professional fees	82,082	107,304
Maintenance	93,589	94,015
Fuel	550,250	303,549
Equipment rental	57,020	-
Tonnage fees	87,111	66,487
Landfill closure and postclosure	-	87,728
Repairs	394,402	300,501
Contract labor	-	350
Waste tire removal	<u>12,476</u>	<u>138</u>
Total cost of services	\$2,451,930	\$1,823,677
Other:		
Administrative expense	\$ 342,082	\$ 201,419
Insurance	28,884	5,796
Depreciation and amortization	<u>729,412</u>	<u>640,360</u>
Total other	\$1,100,378	\$ 847,575
Total operating expenses	\$3,552,308	\$2,671,252
Net Operating Income	\$ 671,318	\$ 122,276
<u>Non-Operating Revenue (Expense)</u>		
E Waste	\$ 9,777	\$ 23,953
Interest income	1,687	19,188
Interest and fiscal charges	(29,189)	(35,588)
Compost income (net)	<u>11,572</u>	<u>7,124</u>
Total non-operating revenue (expense)	\$ (6,153)	\$ 14,677
Change in Net Assets	\$ 665,165	\$ 136,953
Net Assets, Beginning of year	<u>3,232,395</u>	<u>3,095,442</u>
Net Assets, End of year	\$3,897,560	\$3,232,395

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 7

STATEMENTS OF CASH FLOWS – PROPRIETARY FUNDS

For the years ended December 31, 2011 and 2010

	<u>Business-Type Activities</u>	
	<u>Landfill</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 3,950,901	\$ 2,713,686
Disbursements to suppliers	(2,240,394)	(1,453,729)
Disbursements to employees	(835,810)	(620,557)
Interest income	1,687	19,188
Interest expense	(29,189)	(35,588)
Net cash provided by operating activities	\$ <u>847,195</u>	\$ <u>623,000</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of property and equipment	\$ (787,686)	\$ (346,146)
Financing of equipment	630,000	210,256
Principal payments on capital lease obligations	(310,134)	(235,662)
Net cash used in financing activities	\$ <u>(467,820)</u>	\$ <u>(371,552)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 379,375	\$ 251,448
Cash and Cash Equivalents at Beginning of Year	<u>2,701,760</u>	<u>2,450,312</u>
Cash and Cash Equivalents at End of Year	\$ <u>3,081,135</u>	\$ <u>2,701,760</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ <u>665,165</u>	\$ <u>136,953</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation expense	\$ 698,911	\$ 609,859
Amortization expense	30,501	30,501
Changes in Assets and Liabilities:		
Decrease (increase) in accounts receivable	(311,384)	(79,842)
Decrease (increase) in notes receivable	17,310	(17,310)
(Decrease) increase in accounts payable	69,407	21,577
(Decrease) increase in landfill closure payable	(322,715)	(78,738)
Total adjustments	\$ <u>182,030</u>	\$ <u>486,047</u>
Net Cash Provided by Operating Activities	\$ <u>847,195</u>	\$ <u>623,000</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 8

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS

For the year ended December 31, 2011

	<u>Assets</u> <u>Cash and</u> <u>Time Deposits</u>	<u>Liabilities</u>	<u>Net</u> <u>Assets</u>
<u>Expendable Trust Funds</u>			
Prevention Grant	\$ 33,635	\$ -	\$ 33,635
Register of Deeds – Tech Fund	98,586	-	98,586
Technology Surplus	6,646	-	6,646
City of Liberal Intake	23,218	580	22,638
Micro Loan	35,754	164	35,590
LLEBG2002-51 Grant	24,540	880	23,660
Juvenile Justice Grant	97,338	6,425	90,913
JCAPS-JIAS	25,694	3,907	21,787
JCAPS-CCMA	45,010	6,511	38,499
JCAPS-Program Fees	30,042	6	30,036
Treasurer's Special Auto	30,326	3,787	26,539
Emergency Medical Service:			
Training	10,376	-	10,376
Bequests	2,804	-	2,804
Prosecutor Training	19,317	-	19,317
Fire Protection – Bequest	4,050	-	4,050
Law Library	96,171	-	96,171
Sub-total	<u>\$ 583,507</u>	<u>\$ 22,260</u>	<u>\$561,247</u>
<u>Agency Funds</u>			
Sheriff	\$ 6,851	\$ 6,851	-
Clerk of District Court	368,178	368,178	-
County Attorney	3,774	3,774	-
Cimarron Basin	152,939	152,939	-
Escape Holding	219	219	-
Patriot Escrow	67,397	67,397	-
Long and Short	(2,034)	(2,034)	-
Special County Mineral Tax	103,448	103,448	-
Pilot	54,075	54,075	-
Recreational Vehicles	5,162	5,162	-
Sales and Compensating Tax	89,499	89,499	-
Added Tax	65,487	65,487	-
Current Tax	19,418,651	19,418,651	-
Vehicle Property Tax	444,178	444,178	-
Delinquent Personal	83,169	83,169	-
Delinquent Real Estate	216,054	216,054	-
Rent Vehicles	2,254	2,254	-
Bankruptcy	659	659	-
Sub-total	<u>\$21,079,960</u>	<u>\$21,079,960</u>	<u>-</u>
Total Fiduciary Funds	<u>\$21,663,467</u>	<u>\$21,102,220</u>	<u>\$561,247</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Seward County, Kansas is a municipal corporation governed by an elected five-member commission. As required by generally accepted accounting principles, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. There were no blended component units for this reporting entity. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the primary government. This presented component unit has a December 31 year end. Records of County boards are not subject to examination by certified public accountants in accordance with the provisions of state statute and such boards elected not to have an annual audit of their records for audit year 2011.

Discretely Presented Component Unit

The component unit section of the financial statements includes the financial data of a discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the County. The governing body of this component unit is appointed by the County Commission.

Southwest Medical Center – Southwest Medical Center (the Medical Center) is owned by Seward County, Kansas (the County), and governed by a seven-member Board of Trustees appointed by the Board of County Commissioners. The Medical Center is a 101-bed, not-for-profit general hospital located in Liberal, Kansas. The Medical Center can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Medical Center is a component unit of the County.

Complete financial statements for the component unit may be obtained at the entity's administrative office:

Southwest Medical Center
315 W. 15th
Liberal, Kansas 67901

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Statements

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted accounting in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the County are described below.

The County's basic financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Statement 3 provides a reconciliation between the total governmental fund balance and the net assets of governmental activities as reported in the government-wide statement of net assets.

The reconciling element is due to the governmental funds report capital outlays as expenditures in the year of purchase. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Reconciliation of Government-Wide and Fund Financial Statements (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances.

Statement 4 includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities. One element in the reconciliation is the reporting on the purchase of capital assets. The governmental funds report purchases of the capital assets as a current period expenditure. The statement of activities recognizes the cost of those capital assets allocated over their estimated useful lives and reported as depreciation expense. These reconciling items are shown in the current year of \$ (1,119,903) and total depreciation expense of \$1,901,042.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each on which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund

The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally or administratively restricted to expenditures for certain purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by enterprise funds). All Capital Projects Funds were completed in previous years.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt and the financing of special assessments that are general obligations of the County (other than debt service payments made by enterprise funds).

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Proprietary Fund:

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements):

Trust Funds

Funds that are held subject to trust agreements.

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the Landfill Fund as a major proprietary fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's proprietary fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand and savings accounts and certificates of deposits of the County. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less.

Kansas statutes authorize the public entities, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U. S. Treasury Bills and Notes, and the State Treasurer’s investment pool. Kansas statutes also require that collateral be pledged for bank deposits with a fair market value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of the public entity.

All cash accounts are recorded at cost, plus accrued interest, if applicable. All funds for the primary government were fully collateralized at year end by federal depository insurance and/or collateral held by the entity or its agent in the entity’s name.

Restricted Assets

Certain resources are set aside for their repayment and are classified as restricted assets on balance sheet because they are maintained in separate accounts and their use is limited to:

AFLAC accounts
Divisions – County Attorney
Landfill

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the County’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the County’s policy is to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Property Taxes

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. Collection of current year property taxes by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year. This procedure is in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the County and therefore are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2012.

Only amounts of delinquent tax collected by the County Treasurer are included in receivables and offset by deferred revenue. Records of back tax are such that it is impracticable to ascertain the amounts that represent receivables. Revenue would not be affected since budgetary procedures require reporting on a cash basis.

Activity Between Funds

Activity between funds that are outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances", if applicable. At year end there were no outstanding balances.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Other Receivables – Governmental Funds

Receivables of the general and special revenue funds are not available as resources that can be used to finance the current year operations of the County and, consequently, are offset by reserves in the fund statements for control purposes.

With the exception of back taxes, accounts receivable, which were considered doubtful as to collectibility, have been charged off. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

Landfill Receivable

The County records landfill revenue billed to its customers on a monthly basis. It is not practicable to estimate unbilled service receivables at year end and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Inventories and Prepaid Items

General Fund inventories of noxious weed chemicals are held for the purpose of resale and are carried at cost using the first-in, first-out method. Inventories are expensed when purchased for fund financials and expensed when used for government-wide financials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings and improvements, equipment and infrastructure assets, such as roads, bridges and similar items, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10 to 40 years
Infrastructure assets	39 to 50 years
Machinery and equipment	2 to 10 years

Compensated Absences – County Employees

Policy as adopted:

Paid time off (PTO) has been provided to add flexibility to Seward County employees in taking time off away from their employment, but at the same time maintaining effective staffing at all levels of Seward County Government. The Seward County Board of Commissioners find that it is in the best interest of the Seward County employees to be responsible for determining how their time away from work will best suit their individual needs and preferences and that employees should be given flexibility in their paid time away from work. PTO shall be used concurrently to an employee utilizing leave of absence status. This policy shall apply to all full-time employees.

The following accrual chart is based on per pay period:

<u>Length of Service</u>	<u>Accrual</u>
1 year or less	.31 days
2-5 years	.88 days
6-9 years	1.00 days
10-14 years	1.27 days
15 years and over	1.46 days

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Compensated Absences – County Employees (Continued)

The maximum accumulation of PTO by an employee shall be 512 hours or 64 days. Employees who have accrued in excess of 512 hours or 64 days of PTO may exchange PTO in excess of 512 hours for wage based compensation at a rate of 2 hours of PTO for 1 hour of wage based compensation or may place hours in excess of 512 in extended sick leave up to 1,040 hours. Exempt employees may exchange PTO at a ratio of 2 weeks of PTO for 1 week of base compensation or place days in excess of 64 in extended sick leave. Time placed in extended sick leave shall be lost upon termination or retirement. Extended sick leave may only be used for events qualifying for Family and Medical leave and/or following a bona fide illness absence in excess of three consecutive days.

Under this policy, employees who retire from Seward County under the plans offered by Seward County are eligible for a PTO buy out up to 512 hours. This benefit will be available to all full-time employees who are eligible for KPERS or other applicable County sponsored retirement program and have at least five years of full-time service to the County. Amounts have been calculated and have been accrued in the appropriate funds. Amounts that have been accrued for the year ended December 31, 2011 are:

<u>Fund</u>	<u>Amount</u>
General	\$404,607
Rural Fire	14,740
Road and Bridge	87,082
Health	54,265
Landfill	101,825

Deferred Revenue

Receivables from taxes and grants from federal and state agencies are reported as deferred revenue for all governmental fund types.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Government-Wide and Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

Invested in Capital Assets, Net of Related Debt – Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Assets – Consist of net assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – All other net assets are reported in this category.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the County Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by County Commission ordinance or resolution.

Assigned – Amounts that are designated by County officials for a particular purpose.

Unassigned – All amounts not included in other spendable classifications.

Revenues and Expenditures

Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, are reported as advances by the provider and deferred revenue by the recipient.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Revenues and Expenditures (Continued)

Revenues (Continued)

Collection of current year property taxes by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with the governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the County and, therefore, are not susceptible to accrual.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased. Principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end, except for the portion related to encumbered amounts. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Requirements, Accounting and Reporting

Requirements for all funds:

A. Annual budgets are adopted for most County funds. Such budgets are based on expected expenditures by program within a fund and estimated resources by source for all funds. Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budget Requirements, Accounting and Reporting (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Encumbrance accounting is employed by governmental funds. Encumbrances outstanding at year end are reported as reservation of fund balances and do not constitute GAAP expenditures or liabilities. Accordingly, all budget statements reflect the amount of encumbrances included as non-GAAP expenditures. Revenues are recognized when cash is received. Budget expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for Capital Projects Funds, Trust Funds and the following Special Revenue Funds:

- EMS Equipment Fund
- Rural Fire Equipment Fund
- Special Highway Improvement Fund
- Road Machinery Fund
- Noxious Weed Equipment Fund
- 911 Wireless Fund
- Court Trustee Operations Fund

Spending in funds, which are not subject to the legal annual operating budget requirement, are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

The reconciliation after Statement 4 also reconciles the budgetary information to the GAAP information.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deficit Fund Equity at Year End

There was no deficit fund equity at year end.

C. Detail Notes on All Funds

Cash and Cash Equivalents

	<u>Cash & Time Accounts</u>
County Treasurer:	
First National Bank	\$30,319,140
Cash on hand	147,724
Other Accounts:	
AFLAC account:	
First National Bank	13,426
Emergency Medical Service:	
First National Bank	921
Cash on hand	250
Clerk of District Court:	
First National Bank	368,178
Law Library:	
First National Bank	96,171
Landfill:	
First National Bank	25,865
Cash on hand	500
Health Department:	
First National Bank	3,834
Cash on hand	100
County Attorney:	
Sunflower Bank	6,851
County Clerk:	
Cash on hand	100

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Cash and Cash Equivalents (Continued)

	<u>Cash & Time Accounts</u>
Register of Deeds:	
First National Bank	-
Road and Bridge:	
Cash on hand	200
Sheriff:	
Cash on hand	100
Community Bank	6,851
Witness Fee Fund:	
First National Bank	<u>2,500</u>
Total	<u>\$30,992,711</u>
Analysis of Total Cash and Time Deposits of Primary Government – Statement 1:	
Unrestricted cash for operations	\$29,178,994
Restricted Cash:	
Landfill closure and postclosure care	1,795,128
AFLAC account	13,426
Diversion – County Attorney	<u>5,163</u>
Total	<u>\$30,992,711</u>
Reconciliation:	
Cash Balances – Statement 1:	
Current Assets	\$ 7,665,121
Restricted Assets	1,664,123
Cash Balances – Statement 8	<u>21,663,467</u>
Total	<u>\$30,992,711</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by Seward County. The statute requires banks eligible to hold Seward County's funds have a main or branch bank in the county in which Seward County is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. Seward County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits Seward County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. Seward County has no investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, Seward County's deposits may not be returned or Seward County will not be able to recover collateral securities in the possession of an outside party. Seward County's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The Seward County Commission approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or the County Treasurer. Custodial credit risk for deposits is not formally addressed by bond indentures or pension trust policy. Indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. Pension trust investment policy restricts uninvested cash to minimal balances generally covered by the FDIC.

Deposits of Seward County's reporting entity are insured or collateralized with securities held by Seward County, its agent, or by the pledging financial institutions' trust department or agent in the name of Seward County or applicable public trust.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Deposits and Investments (Continued)

At December 31, 2011, Seward County's carrying amount of deposits, including certificates of deposit, was \$30,843,737. The bank balance was \$31,336,377. Of the bank balance, \$511,951 was covered by FDIC insurance and the remaining \$30,824,426 was collateralized with securities held by the pledging financial institution's agent in Seward County's name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, Seward County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Receivables as of Year End for Government's Individual Major Funds and Nonmajor Funds

<u>Receivables</u>	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Taxes:			
Ad valorem tax	\$10,317,444	-	\$10,317,444
Motor vehicle tax	679,597	-	679,597
Delinquent tax	67,500	-	67,500
Special County mineral taxes	51,724	-	51,724
Total taxes	\$11,116,265	\$ -	\$11,116,265
Accounts	457,553	640,243	1,097,796
Net receivables	<u>\$11,573,818</u>	<u>\$640,243</u>	<u>\$12,214,061</u>

Provision for Uncollectibles

Business-type receivables are primarily from other governments and are considered fully collectible.

With the exception of back taxes, other receivables which were considered doubtful as to collectibility have been charged off annually. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C Detail Notes on All Funds (Continued)

Provision for Uncollectibles (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

<u>Funds</u>	<u>Amounts</u>
General	\$ 9,381,759
County Building	305,294
Rural Fire	477,971
Road and Bridge	<u>951,241</u>
Total	<u>\$11,116,265</u>

Receivables and Payables

The detail of interfund transfers made for the year 2011 are as follows:

Interfund – Operating Transfers

Detail as Follows:

	<u>Due</u>	
	<u>To</u>	<u>From</u>
Rural Fire Equipment Fund	\$130,000	\$ -
Rural Fire Fund	-	130,000
Road and Bridge	-	400,000
Special Highway	400,000	-
Road and Bridge	-	100,000
Road Machinery	<u>100,000</u>	<u>-</u>
Total	<u>\$630,000</u>	<u>\$630,000</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Inventories:

Governmental Funds – Disbursements for inventory type items are considered as expenditures at the time of purchase. Balance sheet presentation of stated inventory is offset in the equity section of the balance sheet as reserve for inventory. The only stated inventory is included in the General Fund in the amount of \$16,671 for noxious weed treatment.

Prepaid Expense

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. There were no prepaid expenses reported as of year end.

Capital Assets:

Enterprise Activities – Landfill

Capital assets and related depreciation have been recorded for the Landfill Fund. Recorded property, plant and equipment owned by the Landfill Fund are stated at cost or estimated historical cost if original cost is not available. Gifts or contributions are stated at fair market value at the date received. Depreciation has been provided over the estimated useful lives using the straight-line method.

Gain or loss is recognized when assets are retired from service or are otherwise disposed.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Enterprise Activities – Landfill (Continued)

A summary of property, plant and equipment is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 91,844	\$ -	-	\$ 91,844
Landfill pit	3,648,792	-	-	3,648,792
Buildings and improvements	631,742	-	-	631,742
Machinery and equipment	<u>6,466,071</u>	<u>787,686</u>	<u>-</u>	<u>7,253,757</u>
Total	<u>\$10,838,449</u>	<u>\$ 787,686</u>	<u>-</u>	<u>\$11,626,135</u>
 <u>Less – Accumulated depreciation for:</u>				
Buildings and improvements	\$ (261,541)	\$ (23,018)	-	\$ (284,559)
Landfill pit	(2,899,299)	(30,501)	-	(2,929,800)
Machinery and equipment	<u>(4,293,520)</u>	<u>(675,893)</u>	<u>-</u>	<u>(4,969,413)</u>
Total	<u>\$ (7,454,360)</u>	<u>\$ (729,412)</u>	<u>-</u>	<u>\$ (8,183,772)</u>
Net Capital Assets	<u>\$ 3,384,089</u>	<u>\$ 58,274</u>	<u>-</u>	<u>\$ 3,442,363</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities

Capital assets and related depreciation have been recorded for all governmental activities. Public domain (infrastructure) capital assets consisting of roads and bridges are also capitalized and depreciated.

A summary of property, plant and equipment is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
General Government Control:				
County Commissioners	\$ 55,076	\$ -	\$ -	\$ 55,076
County Administrator	51,634	-	2,035	49,599
Staff Agencies:				
County Clerk	359,477	6,573	13,478	352,572
County Appraiser	162,634	2,844	2,012	163,466
County Treasurer	135,756	2,199	6,590	131,365
County Attorney	148,288	20,232	-	168,520
District Court	427,870	26,108	26,285	427,693
Register of Deeds	92,996	1,888	10,000	84,884
Courthouse General	<u>7,795,659</u>	<u>146,683</u>	<u>-</u>	<u>7,942,342</u>
Total Government	\$ <u>9,229,390</u>	\$ <u>206,527</u>	\$ <u>60,400</u>	\$ <u>9,375,517</u>
Public Safety:				
Sheriff	\$ 1,566,294	\$ 201,775	\$ 38,128	\$ 1,729,941
Civil Defense	182,160	-	-	182,160
Fire Protection	1,927,817	-	23,000	1,904,817
Emergency Medical				
Service	1,058,056	43,610	47,018	1,054,648
911	522,539	63,431	-	585,970
Jail Facility	<u>6,937,038</u>	<u>16,850</u>	<u>32,926</u>	<u>6,920,962</u>
Total Public Safety	\$ <u>12,193,904</u>	\$ <u>325,666</u>	\$ <u>141,072</u>	\$ <u>12,378,498</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Other:				
Health – Mental Health	\$ 585,955	\$ -	\$ -	\$ 585,955
Highways	53,680,845	247,513	123,015	53,805,343
Natural Resources –				
Noxious Weed	124,090	-	-	124,090
Exhibit Hall	1,966,950	-	-	1,966,950
Health	422,999	8,365	3,040	428,324
Planning and Zoning	17,956	1,460	700	18,716
Restlawn Cemetery	15,792	-	-	15,792
Activity Center	240,172	2,718	-	242,890
Fair Grounds	<u>430,672</u>	<u>-</u>	<u>-</u>	<u>430,672</u>
Total Other	<u>\$57,485,431</u>	<u>\$ 260,056</u>	<u>\$126,755</u>	<u>\$57,618,732</u>
Total	<u>\$78,908,725</u>	<u>\$ 792,249</u>	<u>\$328,227</u>	<u>\$79,372,747</u>
<u>Less</u> – Accumulated depreciation for:				
General Government Control:				
County Commissioners	\$ 37,743	\$ 4,333	\$ -	\$ 42,076
County Administrator	38,504	3,701	1,661	40,544
Staff Agencies:				
County Clerk	270,071	31,697	12,994	288,774
County Appraiser	129,559	9,736	2,012	137,283
County Treasurer	124,715	4,370	5,857	123,228
County Attorney	139,534	4,926	-	144,460
District Court	361,307	21,167	19,493	362,981
Register of Deeds	64,393	7,890	8,163	64,120
Courthouse General	<u>1,967,782</u>	<u>216,537</u>	<u>-</u>	<u>2,184,319</u>
Total Government	<u>\$ 3,133,608</u>	<u>\$ 304,357</u>	<u>\$ 50,180</u>	<u>\$ 3,387,785</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Less</u> – Accumulated depreciation for (Cont.):				
Public Safety:				
Sheriff	\$ 1,274,693	\$ 110,199	\$ 37,237	\$ 1,347,655
Civil Defense	153,052	6,665	-	159,717
Fire Protection	1,485,518	57,433	23,000	1,519,951
Emergency Medical Service	955,347	18,776	47,017	927,106
911	511,493	9,450	-	520,943
Jail Facility	<u>1,924,570</u>	<u>181,224</u>	<u>32,926</u>	<u>2,072,868</u>
Total Public Safety	\$ <u>6,304,673</u>	\$ <u>383,747</u>	\$ <u>140,180</u>	\$ <u>6,548,240</u>
Other:				
Health – Mental Health	\$ 381,823	\$ 20,843	\$ -	\$ 402,666
Highways	49,494,264	1,107,482	123,014	50,478,732
Natural Resources – Noxious Weed	124,090	-	-	124,090
Exhibit Hall	907,828	50,435	-	958,263
Health	183,021	18,407	3,040	198,388
Planning and Zoning	17,064	369	700	16,733
Restlawn Cemetery	7,505	2,072	-	9,577
Activity Center	212,733	8,542	-	221,275
Fair Grounds	<u>396,806</u>	<u>4,784</u>	<u>-</u>	<u>401,590</u>
Total Other	\$ <u>51,725,134</u>	\$ <u>1,212,934</u>	\$ <u>126,754</u>	\$ <u>52,811,314</u>
Total	\$ <u>61,163,415</u>	\$ <u>1,901,038</u>	\$ <u>317,114</u>	\$ <u>62,747,339</u>
Net Capital Assets	\$ <u>17,745,310</u>	\$ <u>(1,108,789)</u>	\$ <u>11,113</u>	\$ <u>16,625,408</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Discretely Presented Component Unit

Activity of Southwest Medical Center is presented in Statements 1 and 2.

Operating and Capital Leases

There was no financial activity relating to operating or capital leases.

Short-Term Debt

The following is a summary of short-term debt:

Beginning balance	-	
Increases	-	
Decreases	-	
Ending balance	<u>-</u>	<u>-</u>

Long-Term Debt

Long-term debt of the discretely presented component unit consists of the following:

	<u>2011</u>	<u>2010</u>
2.0% to 5.0% General Obligation Hospital Refunding and Improvement Bonds, Series 2010-A; issued on May 27, 2010, in the original amount of \$17,670,000, due serially through August 1, 2040	\$16,630,000	\$16,800,000
Net unamortized premium (discount)	<u>455,941</u>	<u>481,698</u>
	\$17,085,941	\$17,281,698
<u>Less</u> – Current portion	<u>175,000</u>	<u>170,000</u>
	<u>\$16,910,941</u>	<u>\$17,111,698</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

On May 27, 2010, the County issued \$17,670,000 in General Obligation Hospital Refunding and Improvement Bonds, Series 2010-A (the 2010-A bonds) on behalf of the Medical Center pursuant to a bond trust indenture dated May 1, 2010. The proceeds of the bonds were used, together with other available funds of the Medical Center, for the purpose of providing funds to (1) expand and renovate the Medical Center's existing facilities, (2) pay for the costs of certain items of equipment, (3) fund a debt service reserve fund, (4) pay certain costs related to issuance of the bonds, and (5) make the payment as scheduled on August 1, 2010, for principal and interest due then on the 2001-A bonds.

On November 1, 2010, the County engaged in a current refunding of the 2001-A bonds then outstanding by making an irrevocable deposit with a trustee of \$3,119,280 of available funds of the Medical Center. Those funds were used by the trustee to purchase direct obligations of the United States of America that will mature and pay interest in amounts and at times that will provide for payment of principal and interest on the 2001-A bonds through August 1, 2011, and to redeem and pay the 2001-A bonds remaining outstanding on that date at a redemption price of 100 percent. A loss on extinguishment of debt of \$137,399 was recognized in the 2010 financial statements because the acquisition cost of the extinguished debt was greater than the net carrying amount of that debt on the balance sheet.

The indenture agreements for the bonds require the Medical Center to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the bond principal and interest on the appropriate due dates. Such amounts were maintained and are included with assets limited as to use in the financial statements. The indenture agreements also include certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, and level of fees and rates charged.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

Scheduled annual debt service requirements on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 175,000	\$ 736,150	\$ 911,150
2013	180,000	732,650	912,650
2014	355,000	729,050	1,084,050
2015	360,000	721,063	1,081,063
2016	370,000	712,063	1,082,063
2017-2021	2,040,000	3,373,500	5,413,500
2022-2026	2,420,000	2,991,565	5,411,565
2027-2031	3,025,000	2,395,000	5,420,000
2032-2036	3,865,000	1,558,500	5,423,500
2037-2040	<u>3,840,000</u>	<u>491,750</u>	<u>4,331,750</u>
	<u>\$16,630,000</u>	<u>\$14,441,291</u>	<u>\$31,071,291</u>

The following is a summary of changes in long-term debt:

	<u>Amount</u>
Principal outstanding at January 1, 2010	\$ 3,925,000
Issuance of long-term debt	17,670,000
Payment to extinguish debt	(3,000,000)
Principal payments	<u>(1,795,000)</u>
Principal outstanding at December 31, 2010	\$16,800,000
Principal payments	<u>(170,000)</u>
Principal outstanding at December 31, 2011	<u>\$16,630,000</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

Total interest costs are summarized as follows:

	<u>2011</u>	<u>2010</u>
Total interest incurred	\$ 738,146	\$ 563,016
Amortization of deferred financing costs, deferred refunding loss, and bond premium and discount	<u>(7,448)</u>	<u>19,423</u>
Interest expense	\$ 730,698	\$ 582,439
<u>Less</u> – Interest earned on borrowed funds offset against capitalized interest costs	(1,284)	(961)
Net capitalized interest costs	<u>(526,870)</u>	<u>(312,237)</u>
Interest expense	\$ <u>202,544</u>	\$ <u>269,241</u>

Governmental Activities

The following is a summary of changes in long-term debt:

	<u>Amount</u>
Principal outstanding at January 1, 2010	\$ 105,967
Principal payments	<u>(105,967)</u>
Principal outstanding at December 31, 2010	-
Principal payments	<u>-</u>
Principal outstanding at December 31, 2011	<u>-</u>

The governmental activities currently have no long-term debt.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

Business-Type Activities

Landfill Debt

On April 23, 2007, a lease purchase in the amount of \$400,000, with an interest rate of 4.50%, was acquired.

On October 15, 2007, a lease purchase in the amount of \$176,000, with an interest rate of 4.50%, was acquired.

On March 18, 2008, a lease purchase in the amount of \$146,000, with an interest rate of 4.32%, was acquired.

On November 25, 2008, a lease purchase in the amount of \$224,800, with an interest rate of 4.29%, was acquired.

On March 2, 2010, a lease purchase in the amount of \$34,697, with an interest rate of 4.25% was acquired.

On September 1, 2010, a lease purchase in the amount of \$175,559, with an interest rate of 4.25% was acquired.

On August 15, 2011, a lease purchase in the amount of \$630,000, with an interest rate of 4.25% was acquired.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Business-Type Activities (Continued)

Landfill Debt (Continued)

Balance of principal remaining at December 31, 2011:

<u>Fund</u>	<u>Amount</u>	<u>Interest Rate</u>
Landfill – Equipment	\$ 29,476	4.50%
Landfill – Equipment	31,964	4.50%
Landfill – Equipment	39,300	4.32%
Landfill – Equipment	91,804	4.29%
Landfill – Equipment	14,295	4.25%
Landfill – Equipment	134,787	4.25%
Landfill – Equipment	<u>591,454</u>	4.25%
Total	<u>\$933,080</u>	

Detail of scheduled payments by year including interest of \$79,668:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$302,902	\$ 33,190	\$ 336,092
2013	212,763	22,023	234,786
2014	164,522	14,598	179,120
2015	161,549	7,812	169,361
2016	<u>91,344</u>	<u>2,045</u>	<u>93,389</u>
Total	<u>\$933,080</u>	<u>\$ 79,668</u>	<u>\$1,012,748</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Business-Type Activities (Continued)

Landfill Debt (Continued)

The following is a summary of changes in long-term debt:

	<u>Amount</u>
Principal outstanding at January 1, 2010	\$ 638,620
Issuance of long-term debt	210,256
Principal payments	<u>(235,662)</u>
Principal outstanding at December 31, 2010	\$ 613,214
Issuance of long-term debt	630,000
Principal payments	<u>(310,134)</u>
Principal outstanding at December 31, 2011	<u>\$ 933,080</u>

Closure and Postclosure Care Cost

Primary government is included in this classification of an original closure and postclosure cost of \$4,615,655. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,054,124 reported as landfill closure and postclosure care liability at December 31, 2011 represents the cumulative amount reported to date. The County will recognize the remaining postclosure costs of \$2,561,531 over the next 30 years. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

As of December 31, 2011, there was \$1,795,128 set aside to finance closure and postclosure costs. A tipping fee set aside was approved.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 3: OTHER INFORMATION

A. Defined Benefit Pension Plan

Seward County contributes to (2011 KMAG “contributes to”) (2013 KMAG “participates in”) the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009 and 6% for all employees hired after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 was 6.74%. Seward County's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$454,790, \$414,401 and \$353,518, respectively, equal to the required contributions for each year.

B. Salary Reduction Plan

Seward County has adopted a 457 elective salary reduction plan with ING Financial Services for employees' retirement. The plan transactions for the year ended December 31, 2011 are as follows:

Beginning balance	\$317,414
Contributions	31,705
Withdrawals	(22,207)
Change in value	<u>(6,477)</u>
Ending balance	<u>\$320,435</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 3: OTHER INFORMATION (Continued)

C. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

D. Federal Assistance

Seward County participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives for audits of these programs for or including the year ending December 31, 2011.

It is possible that the County's compliance with applicable grant agreements may be established at some future date. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this date, although the County expects such amounts, if any, to be immaterial.

E. Environmental Issues

Environmental issues pertaining to Seward County are subject to state and federal requirements. The amount of expenditures required, if any, is not presently ascertainable.

F. Contingencies – Self-Insured Health Insurance

Seward County has entered into an agreement with Blue Cross/Blue Shield of Kansas in which the County self insures claims to an individual stop loss of \$75,000. There is no aggregate stop loss on the contract.

G. Interfund Eliminations

There were no interfund eliminations made.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 3: OTHER INFORMATION (Continued)

H. Compliance and Propriety Matters – Seward County

1. Contrary to the provisions of K.S.A. 10-1117 and 79-2934, the required budget and encumbrance records were not properly maintained by the County Clerk.
2. Contrary to the provisions of K.S.A. 19-312, the County Clerk did not maintain an account of charges and credits on the current year tax roll abstract showing the treasurer's accountability.
3. Contrary to the provisions of K.S.A. 32-984, the County Clerk did not remit daily to the County Treasurer game license fees.
4. Contrary to the provisions of K.S.A. 79-3104, the County Register of Deeds did not remit daily to the County Treasurer mortgage registration fees and heritage trust fund fees.
5. Contrary to the provisions of K.S.A. 19-264, the County operated a petty cash fund.

The above noncompliance matters have been discussed with various County officials.

SEWARD COUNTY, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

SEWARD COUNTY, KANSAS

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2011

<u>Revenue</u>	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Taxes:			
Ad valorem property tax	\$7,935,681	\$7,760,245	\$ (175,436)
Back tax collections	80,000	119,976	39,976
Motor vehicle tax	438,190	416,622	(21,568)
Mineral tax	186,357	125,980	(60,377)
Interest on delinquent taxes	<u>130,000</u>	<u>134,359</u>	<u>4,359</u>
Total taxes	<u>\$8,770,228</u>	<u>\$8,557,182</u>	<u>\$ (213,046)</u>
Intergovernmental:			
Private club liquor tax	\$ 4,500	\$ 6,130	\$ 1,630
Proration – Clerk of District Court	20,000	1,515	(18,485)
Local sales tax	1,500,000	1,667,027	167,027
Health initiatives	660,000	740,778	80,778
Federal grant money	-	49,233	49,233
Civil Defense	<u>-</u>	<u>62,686</u>	<u>62,686</u>
Total intergovernmental	<u>\$2,184,500</u>	<u>\$2,527,369</u>	<u>\$ 342,869</u>
Charges for Sales & Services:			
Sale of cemetery lots and fees	\$ 22,000	\$ 15,202	\$ (6,798)
Chemical sales	95,000	44,432	(50,568)
Emergency Medical Service	350,000	318,102	(31,898)
Jail Board	<u>80,000</u>	<u>95,410</u>	<u>15,410</u>
Total charges for sales and services	<u>\$ 547,000</u>	<u>\$ 473,146</u>	<u>\$ (73,854)</u>
Licenses, Permits and Fees:			
Fees	\$ 63,200	\$ 138,792	\$ 75,592
Mortgage registration fees	150,000	144,993	(5,007)
Officers' fees	140,000	89,064	(50,936)
Tonnage fees	<u>110,000</u>	<u>124,374</u>	<u>14,374</u>
Total licenses, permits and fees	<u>\$ 463,200</u>	<u>\$ 497,223</u>	<u>\$ 34,023</u>
Use of Money and Property:			
Interest on time deposits	\$ 165,000	\$ 126,228	\$ (38,772)
Rentals and royalties	<u>131,200</u>	<u>109,588</u>	<u>(21,612)</u>
Total use of money and property	<u>\$ 296,200</u>	<u>\$ 235,816</u>	<u>\$ (60,384)</u>

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenue (Continued)</u>			
Other:			
Miscellaneous	\$ <u>22,750</u>	\$ <u>46,373</u>	\$ <u>23,623</u>
Total revenue	\$ <u>12,283,878</u>	\$ <u>12,337,109</u>	\$ <u>53,231</u>
<u>Expenditures</u>			
General Government:			
County Administration	\$ 139,560	\$ 87,545	\$ 52,015
County Commissioners	85,530	84,728	802
County Counselor	65,000	95,600	(30,600)
County Clerk	131,346	124,931	6,415
County Treasurer	199,275	185,739	13,536
County Attorney	607,000	668,850	(61,850)
Planning Board	90,944	73,230	17,714
Register of Deeds	153,413	131,819	21,594
Clerk of District Court	384,270	368,007	16,263
Courthouse General	1,044,683	952,872	91,811
Information Technology	344,747	278,381	66,366
GIS	63,308	54,284	9,024
Election	74,323	61,438	12,885
County Appraiser	292,273	253,209	39,064
Human Resources	110,080	100,204	9,876
Reserve for claim	500,000	104,955	395,045
Total general government	\$ <u>4,285,752</u>	\$ <u>3,625,792</u>	\$ <u>659,960</u>
Public Safety:			
Sheriff	\$ 1,127,983	\$ 1,230,992	\$ (103,009)
Emergency Preparedness	103,492	96,311	7,181
Jail	1,546,823	1,239,753	307,070
Joint Communications	260,118	260,118	-
Civil Defense	-	20,976	(20,976)
Juvenile Detention	300,000	270,721	29,279
Total public safety	\$ <u>3,338,416</u>	\$ <u>3,118,871</u>	\$ <u>219,545</u>

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
Natural Resources:			
Noxious Weed	\$ 205,248	\$ 157,598	\$ 47,650
Soil Conservation	41,704	41,704	-
County Extension	125,700	125,700	-
Total natural resources	<u>\$ 372,652</u>	<u>\$ 325,002</u>	<u>\$ 47,650</u>
Employees' Benefits:			
Health insurance	\$ 1,404,512	\$ 1,369,539	\$ 34,973
Employer costs	1,316,313	1,207,705	108,608
Total employees' benefits	<u>\$ 2,720,825</u>	<u>\$ 2,577,244</u>	<u>\$ 143,581</u>
Health and Sanitation:			
Emergency Medical Service	\$ 664,930	\$ 595,267	\$ 69,663
Coroner	42,100	33,219	8,881
Mental Health	71,703	71,703	-
Developmental Disabled	141,950	141,950	-
Cemetery	55,236	40,507	14,729
Total health and sanitation	<u>\$ 975,919</u>	<u>\$ 882,646</u>	<u>\$ 93,273</u>
Social Services:			
Adolescent support	\$ 270,985	\$ 270,985	-
SKADAF	52,700	52,700	-
Veterans	16,821	16,821	-
Total social services	<u>\$ 340,506</u>	<u>\$ 340,506</u>	<u>-</u>
Culture and Recreation:			
Council on Aging	\$ 269,743	\$ 269,743	\$ -
Historical Museum	68,000	68,000	-
Fair	42,500	42,500	-
Activity Center	179,802	194,107	(14,305)
Economic Development	1,000	-	1,000
Total culture and recreation	<u>\$ 561,045</u>	<u>\$ 574,350</u>	<u>\$ (13,305)</u>

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Expenditures</u> (Continued)			
Other:			
Employee Committee	\$ <u>12,591</u>	\$ <u>11,378</u>	\$ <u>1,213</u>
Total expenditures	\$ <u>12,607,706</u>	\$ <u>11,455,789</u>	\$ <u>1,151,917</u>
Revenue over (under) expenditures	\$ (323,828)	\$ 881,320	\$ 1,205,148
Fund Balances, January 1	323,828	823,963	500,135
Other Changes:			
Increase or (Decrease) in Reserves:			
Other receivables	-	49,573	49,573
Restricted assets	-	(2,795)	(2,795)
Inventory	-	4,017	4,017
Encumbrances	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Fund Balances, December 31	<u>-</u>	\$ <u>1,762,078</u>	\$ <u>1,762,078</u>

SEWARD COUNTY, KANSAS

OTHER SUPPLEMENTARY INFORMATION

December 31, 2011

SEWARD COUNTY, KANSAS

Schedule 2

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2011

	<u>Rural</u> <u>Fire</u>	<u>County</u> <u>Building</u>	<u>Special</u> <u>Park &</u> <u>Recreation</u>	<u>Special</u> <u>Alcoholic</u> <u>Treatment</u>	<u>911</u> <u>Wireless</u>	<u>Health</u> <u>Special</u> <u>Services</u>	<u>County</u> <u>Attorney</u> <u>Diversion</u>	<u>911</u> <u>Telephone</u> <u>System</u>
ASSETS								
Cash, including time deposits	\$119,918	\$362,814	\$ 1,630	\$ 1,630	\$ 12,596	\$591,439	\$ 84,208	\$259,818
Accounts receivable	-	-	-	-	-	121,137	-	580
Taxes receivable	<u>477,971</u>	<u>305,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$597,889</u>	<u>\$668,108</u>	<u>\$ 1,630</u>	<u>\$ 1,630</u>	<u>\$ 12,596</u>	<u>\$712,576</u>	<u>\$ 84,208</u>	<u>\$260,398</u>
LIABILITIES AND FUND BALANCES								
<u>Liabilities</u>								
Accounts payable	\$ 8,730	\$ 7,708	-	-	-	\$ 14,880	\$ 901	-
Accrued wages and benefits	3,729	-	-	-	-	24,367	296	-
Deferred revenue	<u>477,971</u>	<u>305,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$490,430</u>	<u>\$313,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 39,247</u>	<u>\$ 1,197</u>	<u>-</u>
<u>Fund Balances</u>								
Nonspendable – Receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$121,137	\$ -	\$ 580
Assigned	<u>107,459</u>	<u>355,106</u>	<u>1,630</u>	<u>1,630</u>	<u>12,596</u>	<u>552,192</u>	<u>83,011</u>	<u>259,818</u>
Total fund balances	<u>\$107,459</u>	<u>\$355,106</u>	<u>\$ 1,630</u>	<u>\$ 1,630</u>	<u>\$ 12,596</u>	<u>\$673,329</u>	<u>\$ 83,011</u>	<u>\$260,398</u>
Total Liabilities and Fund Balances	<u>\$597,889</u>	<u>\$668,108</u>	<u>\$ 1,630</u>	<u>\$ 1,630</u>	<u>\$ 12,596</u>	<u>\$712,576</u>	<u>\$ 84,208</u>	<u>\$260,398</u>

SEWARD COUNTY, KANSAS

Schedule 2
(Continued)COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2011

	<u>Capital Equipment Reserve</u>	<u>Rural Fire Equipment</u>	<u>Special Highway Improvement</u>	<u>Noxious Weed Equipment</u>	<u>Road & Bridge</u>	<u>Road Machinery</u>	<u>Total Nonmajor Special Revenue</u>
ASSETS							
Cash, including time deposits	\$491,767	\$458,087	\$839,452	\$ 42,156	\$ 627,038	\$829,543	\$4,722,096
Accounts receivable	-	-	-	-	-	-	121,717
Taxes receivable	-	-	-	-	951,241	-	1,734,506
Total Assets	<u>\$491,767</u>	<u>\$458,087</u>	<u>\$839,452</u>	<u>\$ 42,156</u>	<u>\$1,578,279</u>	<u>\$829,543</u>	<u>\$6,578,319</u>
LIABILITIES AND FUND BALANCES							
<u>Liabilities</u>							
Accounts payable	\$ 38,521	-	-	-	\$ 42,667	-	\$ 113,407
Accrued wages and benefits	-	-	-	-	23,904	-	52,296
Deferred revenue	-	-	-	-	951,241	-	1,734,506
Total liabilities	<u>\$ 38,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$1,017,812</u>	<u>-</u>	<u>\$1,900,209</u>
<u>Fund Balances</u>							
Nonspendable – Receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,717
Assigned	453,246	458,087	839,452	42,156	560,467	829,543	4,556,393
Total fund balances	<u>\$453,246</u>	<u>\$458,087</u>	<u>\$839,452</u>	<u>\$ 42,156</u>	<u>\$ 560,467</u>	<u>\$829,543</u>	<u>\$4,678,110</u>
Total Liabilities and Fund Balances	<u>\$491,767</u>	<u>\$458,087</u>	<u>\$839,452</u>	<u>\$ 42,156</u>	<u>\$1,578,279</u>	<u>\$829,543</u>	<u>\$6,578,319</u>

SEWARD COUNTY, KANSAS

Schedule 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2011

	<u>Rural</u> <u>Fire</u>	<u>County</u> <u>Building</u>	<u>Special</u> <u>Park &</u> <u>Recreation</u>	<u>Special</u> <u>Alcoholic</u> <u>Treatment</u>	<u>911</u> <u>Wireless</u>	<u>Health</u> <u>Special</u> <u>Services</u>	<u>County</u> <u>Attorney</u> <u>Diversion</u>	<u>911</u> <u>Telephone</u> <u>System</u>
<u>Revenues</u>								
Taxes	\$ 469,783	\$287,698	\$ 3,130	\$ 3,130	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	70,000	755,137	55,037	-
Charges for services	-	-	-	-	31,878	221,129	-	55,491
Other	<u>-</u>	<u>22,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 469,783</u>	<u>\$309,748</u>	<u>\$ 3,130</u>	<u>\$ 3,130</u>	<u>\$ 101,878</u>	<u>\$976,266</u>	<u>\$ 55,037</u>	<u>\$ 55,491</u>
<u>Expenditures</u>								
General government	\$ -	\$190,761	\$ -	\$ -	\$ -	\$ -	\$ 74,781	\$ -
Public safety	324,653	-	-	-	224,118	-	-	101,905
Health and sanitation	-	-	-	-	-	981,815	-	-
Culture and recreation	-	-	1,500	1,500	-	-	-	-
Transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 324,653</u>	<u>\$190,761</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 224,118</u>	<u>\$981,815</u>	<u>\$ 74,781</u>	<u>\$101,905</u>
Revenue over (under) expenditures	\$ 145,130	\$118,987	\$ 1,630	\$ 1,630	\$ (122,240)	\$ (5,549)	\$ (19,744)	\$ (46,414)
Fund Balances, January 1	92,329	236,119	-	-	134,836	719,110	102,755	306,996
Operating transfers	(130,000)	-	-	-	-	-	-	-
Other Changes:								
Increase or (decrease) in reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,232)</u>	<u>-</u>	<u>(184)</u>
Fund Balances, December 31	<u>\$ 107,459</u>	<u>\$355,106</u>	<u>\$ 1,630</u>	<u>\$ 1,630</u>	<u>\$ 12,596</u>	<u>\$673,329</u>	<u>\$ 83,011</u>	<u>\$260,398</u>

SEWARD COUNTY, KANSAS

Schedule 3
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2011

	<u>Capital Equipment Reserve</u>	<u>Rural Fire Equipment</u>	<u>Special Highway Improvement</u>	<u>Noxious Weed Equipment</u>	<u>Road & Bridge</u>	<u>Road Machinery</u>	<u>Total Nonmajor Special Revenue</u>
<u>Revenues</u>							
Taxes	\$ 91	-	-	-	\$1,642,730	-	\$2,406,562
Intergovernmental	-	-	-	-	-	-	880,174
Charges for services	-	-	-	-	-	-	308,498
Other	-	-	-	-	-	-	22,050
Total revenues	\$ 91	-	-	-	\$1,642,730	-	\$3,617,284
<u>Expenditures</u>							
General government	\$ 125,288	-	\$ -	-	\$ -	\$ -	\$ 390,830
Public safety	-	-	-	-	-	-	650,676
Health and sanitation	-	-	-	-	-	-	981,815
Culture and recreation	-	-	-	-	-	-	3,000
Transportation	-	-	279,780	-	1,409,345	146,206	1,835,331
Total expenditures	\$ 125,288	-	\$ 279,780	-	\$1,409,345	\$ 146,206	\$3,861,652
Revenue over (under) expenditures	\$ (125,197)	\$ -	\$ (279,780)	\$ -	\$ 233,385	\$ (146,206)	\$ (244,368)
Fund Balances, January 1	578,443	328,087	719,232	42,156	827,082	875,749	4,962,894
Operating transfers	-	130,000	400,000	-	(500,000)	100,000	-
Other Changes:							
Increase or (decrease) in reserves	-	-	-	-	-	-	(40,416)
Fund Balances, December 31	\$ 453,246	\$458,087	\$ 839,452	\$ 42,156	\$ 560,467	\$ 829,543	\$4,678,110

SEWARD COUNTY, KANSAS

Schedule 4-1

RURAL FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 462,849	\$ 455,065	\$ (7,784)
Back tax collections	500	4,394	3,894
Motor vehicle tax	8,175	8,885	710
Payment in lieu of taxes	<u>600</u>	<u>1,439</u>	<u>839</u>
Total revenue	\$ <u>472,124</u>	\$ <u>469,783</u>	\$ <u>(2,341)</u>
<u>Expenditures</u>			
Public Safety – Fire Protection:			
Personal services	\$ 138,876	\$ 142,534	\$ (3,658)
Contractual services	144,590	134,717	9,873
Commodities	26,100	36,119	(10,019)
Capital outlay	<u>8,500</u>	<u>4,783</u>	<u>3,717</u>
Total expenditures	\$ <u>318,066</u>	\$ <u>318,153</u>	\$ <u>(87)</u>
Revenue over (under) expenditures	\$ 154,058	\$ 151,630	\$ (2,428)
Other Financing Sources (Uses):			
Operating transfers (out)	(180,000)	(180,000)	-
Fund Balances, January 1	<u>25,942</u>	<u>92,330</u>	<u>66,388</u>
Fund Balances, December 31	<u>-</u>	\$ <u>63,960</u>	\$ <u>63,960</u>

SEWARD COUNTY, KANSAS

Schedule 4-2

COUNTY BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 269,743	\$262,711	\$ (7,032)
Back tax collections	1,000	5,168	4,168
Motor vehicle tax	<u>19,810</u>	<u>19,317</u>	<u>(493)</u>
Total taxes	\$ <u>290,553</u>	\$ <u>287,196</u>	\$ <u>(3,357)</u>
Other:			
Payments in lieu of taxes	\$ -	\$ 502	\$ 502
Rent	<u>12,600</u>	<u>22,050</u>	<u>9,450</u>
Total other	\$ <u>12,600</u>	\$ <u>22,552</u>	\$ <u>9,952</u>
Total revenue	\$ 303,153	\$309,748	\$ 6,595
<u>Expenditures</u>			
General Government:			
Contractual services	<u>478,800</u>	<u>104,667</u>	<u>374,133</u>
Revenue over (under) expenditures	\$ (175,647)	\$205,081	\$380,728
Fund Balances, January 1	175,647	236,119	60,472
Other Changes:			
Increase or (Decrease) in Reserves	<u>-</u>	<u>(86,094)</u>	<u>(86,094)</u>
Fund Balances, December 31	<u>-</u>	<u>\$355,106</u>	<u>\$355,106</u>

SEWARD COUNTY, KANSAS

Schedule 4-3

HEALTH – SPECIAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Sales tax	\$ 368,000	\$368,000	\$ -
Federal and state grants	424,188	387,137	(37,051)
Charges for sales and services	<u>200,000</u>	<u>221,129</u>	<u>21,129</u>
Total revenue	\$ <u>992,188</u>	\$ <u>976,266</u>	\$ <u>(15,922)</u>
<u>Expenditures</u>			
Health:			
Personal services	\$ 698,474	\$655,342	\$ 43,132
Contractual services	188,911	256,121	(67,210)
Commodities	165,000	45,915	119,085
Capital outlay	<u>15,300</u>	<u>-</u>	<u>15,300</u>
Total expenditures	\$ <u>1,067,685</u>	\$ <u>957,378</u>	\$ <u>110,307</u>
Revenue over (under) expenditures	\$ (75,497)	\$ 18,888	\$ 94,385
Fund Balances, January 1	75,497	719,110	643,613
Other Changes:			
Increase or (Decrease) in Reserves	<u>-</u>	<u>(64,669)</u>	<u>(64,669)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>673,329</u>	\$ <u>673,329</u>

SEWARD COUNTY, KANSAS

Schedule 4-4

COUNTY ATTORNEY DIVERSION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Diversion fees	\$ <u>50,000</u>	\$ <u>55,037</u>	\$ <u>5,037</u>
<u>Expenditures</u>			
General Government:			
Personal services	\$ 17,000	\$ 7,699	\$ 9,301
Contractual services	-	44,274	(44,274)
Commodities	60,000	3,744	56,256
Capital outlay	<u>-</u>	<u>19,064</u>	<u>(19,064)</u>
Total expenditures	\$ <u>77,000</u>	\$ <u>74,781</u>	\$ <u>2,219</u>
Revenue over (under) expenditures	\$ (27,000)	\$ (19,744)	\$ 7,256
Fund Balances, January 1	<u>27,000</u>	<u>102,755</u>	<u>75,755</u>
Fund Balances, December 31	<u>-</u>	\$ <u>83,011</u>	\$ <u>83,011</u>

SEWARD COUNTY, KANSAS

Schedule 4-5

CAPITAL EQUIPMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	-	\$ 39	\$ 39
Back tax collections	<u>-</u>	<u>52</u>	<u>52</u>
Total revenue	\$ -	\$ 91	\$ 91
<u>Expenditures</u>			
General Government:			
Capital outlay	<u>396,652</u>	<u>75,288</u>	<u>321,364</u>
Revenue over (under) expenditures	\$ (396,652)	\$ (75,197)	\$321,455
Fund Balances, January 1	396,652	578,443	181,791
Other Changes:			
Increase or (Decrease) in Reserves	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Fund Balances, December 31	<u>-</u>	<u>\$453,246</u>	<u>\$453,246</u>

SEWARD COUNTY, KANSAS

Schedule 4-6

ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 885,113	\$ 863,531	\$ (21,582)
Back tax collections	5,000	20,871	15,871
Motor vehicle tax	86,263	85,857	(406)
State of Kansas – Gas tax	592,887	657,145	64,258
County equalization	30,000	-	(30,000)
Payment in lieu of taxes	-	1,652	1,652
Miscellaneous	<u>-</u>	<u>13,674</u>	<u>13,674</u>
Total revenue	<u>\$1,599,263</u>	<u>\$1,642,730</u>	<u>\$ 43,467</u>
<u>Expenditures</u>			
Transportation:			
Personal services	\$ 640,000	\$ 601,989	\$ 38,011
Contractual services	185,500	110,668	74,832
Commodities	885,000	696,688	188,312
Transfers – Special Highway and Equipment Funds	<u>300,000</u>	<u>500,000</u>	<u>(200,000)</u>
Total expenditures	<u>\$2,010,500</u>	<u>\$1,909,345</u>	<u>\$ 101,155</u>
Revenue over (under) expenditures	\$ (411,237)	\$ (266,615)	\$ 144,622
Fund Balances, January 1	<u>411,237</u>	<u>827,082</u>	<u>415,845</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 560,467</u>	<u>\$ 560,467</u>

SEWARD COUNTY, KANSAS

Schedule 4-7

SPECIAL PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
State of Kansas	\$ 1,500	\$ 3,130	\$ 1,630
<u>Expenditures</u>			
Public Safety:			
Contractual services	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Revenue over (under) expenditures	-	\$ 1,630	\$ 1,630
Fund Balances, January 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>-</u>	\$ <u>1,630</u>	\$ <u>1,630</u>

SEWARD COUNTY, KANSAS

Schedule 4-8

SPECIAL ALCOHOLIC TREATMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
State of Kansas	\$ 1,500	\$ 3,130	\$ 1,630
<u>Expenditures</u>			
Public Safety:			
Contractual services	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Revenue over (under) expenditures	-	\$ 1,630	\$ 1,630
Fund Balances, January 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>-</u>	\$ <u>1,630</u>	\$ <u>1,630</u>

SEWARD COUNTY, KANSAS

Schedule 4-9

911 TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Charges for Services:			
911 tax	\$ 80,000	\$ 55,491	\$ (24,509)
<u>Expenditures</u>			
Public Safety:			
Capital outlay	<u>150,000</u>	<u>101,905</u>	<u>48,095</u>
Revenue over (under) expenditures	\$ (70,000)	\$ (46,414)	\$ 23,586
Fund Balances, January 1	70,000	306,996	236,996
Other Changes:			
Increase or (Decrease) in Reserves	<u>-</u>	<u>(184)</u>	<u>(184)</u>
Fund Balances, December 31	<u>-</u>	<u>\$260,398</u>	<u>\$260,398</u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Seward County Commissioners
Liberal, Kansas 67901

Compliance

We have audited Seward County, Kansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Seward County's major federal programs for the year ended December 31, 2011. Seward County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Seward County's management. Our responsibility is to express an opinion on Seward County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seward County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Seward County's compliance with those requirements.

In our opinion, Seward County, Kansas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

Internal Control over Compliance

Management of Seward County, Kansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Seward County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seward County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over compliance that we consider to be material weaknesses as described in the accompanying schedule of findings and questioned costs as items 2011-01 and 2011-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Seward County, Kansas' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Seward County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Seward County Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

September 20, 2012

SEWARD COUNTY, KANSAS

Schedule 5SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2011

<u>Federal Grantor/Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Grant Award</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Passed Through				
Kansas Department of Health and Environment:				
Special Supplemental Nutrition Program for Women, Infants and Children	10.577	WIC 10.577	\$253,904	\$253,904
U.S. Department of Health and Human Services Passed Through				
Kansas Department of Health and Environment:				
Child Care and Development Block Grant	93.575	CCL 93.575	3,450	3,450
Family Planning Services	93.217	FP 93.217	46,770	46,770
Public Health Emergency Preparedness and Response	93.069	BIO 93.069	11,471	11,471
Maternal and Child Health Services	93.994	MCH 93.994	50,615	50,615
Immunization Grants	93.268	IMM 93.268	19,156	19,156
U.S. Department of Homeland Security Passed Through				
Kansas Division of Emergency Management:				
Buffer Zone Protection Plan	97.078	BZPP 2010	31,517	31,517
Emergency Management Performance Grant	97.042	EMPG 2010	28,798	28,798
U.S. Department of Housing and Urban Development Passed Through				
Kansas Housing Resources Corporation:				
Emergency Shelter Grant	14.231	ESG-FFY2011	60,595	60,595
U.S. Department of Justice:				
JAG Program Cluster:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	8,389	8,389
ARRA – Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	<u>49,233</u>	<u>49,233</u>
Total Expenditures of Federal Awards			<u>\$563,898</u>	<u>\$563,898</u>

SEWARD COUNTY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2011

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Seward County, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note B: Subrecipient Grant Agreement

Seward County, Kansas provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Emergency Shelter Grant	14.231	\$ 60,595

Note C: Noncash Assistance and Cumulative Endowment Funds

Seward County, Kansas received no federal noncash assistance and no cumulative endowment funds for the year ended December 31, 2011.

Note D: Federal Loan or Loan Guarantee Programs

For the year 2011, there were no loans or loan guarantees outstanding at year end.

Note E: There was no interest subsidy received by Seward County, Kansas under a federal loan or loan guarantee program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion.
2. The following significant deficiencies in internal control disclosed by the audit of the financial statements were considered material weaknesses:

Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

3. No instances of noncompliance material to the financial statements of Seward County, Kansas were disclosed during the audit.
4. The following significant deficiencies relating to the audit of the major federal awards were considered material weaknesses:

Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

5. The auditor's report on compliance for the major federal award programs for Seward County, Kansas expresses an unqualified opinion.
6. There were audit findings relative to the major federal award programs for Seward County, Kansas as reported in Part C. of this schedule.
7. The programs tested as major programs include:
Special Supplemental Nutrition Program for Women, Infants & Children CFDA #10.577
JAG Program Cluster CFDA #16.738 and CFDA #16.804

SEWARD COUNTY, KANSAS

Schedule 6
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2011

A. SUMMARY OF AUDIT RESULTS (Continued)

8. The threshold for determining type A and B programs was:

Type A – the larger of \$300,000 or 3% of total federal awards expended

Type B – any programs that do not meet type A criteria specified above

9. Seward County, Kansas was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS

Reportable Condition

2011-1. Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

2011-2. Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

Recommendation

Hire staff who are capable of preparing and understanding financial statements.

Implement a purchase order system in order to track budget and encumbrance records.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

SEWARD COUNTY, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended December 31, 2011

Finding 2010-1: Financial Statement Presentation

Condition: This finding was a material weakness stating that the County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles.

Recommendation: The auditor recommended hiring staff who are capable of preparing and understanding the financial statements.

Current Status: The recommendation was not adopted, and a similar finding is noted in the 2011 audit.

Finding 2010-2: Purchase Order System

Condition: This finding was a material weakness stating that no purchase order system is in place, contributing to the failure to maintain encumbrance records per KSA 10-1117.

Recommendation: The auditor recommended implementing a purchase order system.

Current Status: The recommendation was not adopted, and a similar finding is noted in the 2011 audit.